

Message Text

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ACTION STR-04

INFO OCT-01 OIC-02 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01
AF-08 ARA-06 EA-07 EUR-12 NEA-10 /132 W
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P R 021425Z MAR 77

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 2283

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY OTTAWA

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ACTION STR

H PASS CODEL

EO 11652: NA

TAGS: ETRD, MTN

SUBJ: MTN SUBSIDIES/CVD SUBGROUP MEETING, FEB 28, 1977

1. SUMMARY: BRIEF MEETING OF SUBGROUP FOCUSED ON CANADIAN
DRAFT CODE ON SUBSIDIES: COUNTERVAILING MEASURES
(CVM). SEVERAL DELS EXPRESSED APPRECIATION FOR A FINE
CANADIAN EFFORT BUT RAISED NUMBER OF TECHNICAL AND POLICY
PROBLEMS REGARDING MANY OF ITS OPERATIVE PROVISIONS AND ITS BASIC
APPROACH. THE EC (MEYNELL) EXPRESSED DOUBTS ABOUT CANA-
DIAN APPROACH BUT DID NOT RAISE AGRICULTURAL ISSUE. DEVEL-
OPING COUNTRIES PREDICTABLY DISSATISFIED WITH PROVISIONS
FOR SPECIAL AND DIFFERENTIAL TREATMENT AND REITERATED
THEIR PAST POSITIONS ON THIS ISSUE. SUBGROUP AGREED ON
NEED FOR BILATERAL AND PLURILATERAL CONTACTS TO DISCUSS
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FURTHER THE CANADIAN INITIATIVE. NEXT MEETING SCHEDULED
FOR MAY. END SUMMARY.

2. IN INTRODUCING HIS INITIATIVE ON SUBSIDIES AND CVM'S
(MTN/NTM/W/80), CANADIA'S AMB GREY EMPHASIZED THAT
THE DRAFT IS NOT A CANADIAN PROPOSAL BUT CONTAINS IDEAS
OF MANY DELEGATIONS AND SHOULD BE REGARDED AS AN "AGENDA"

TO BE USED AS A POINT OF DEPARTURE FOR NEGOTIATIONS. GREY OFFERED TO HOLD BILATERAL/PLURILATERAL MEETINGS TO CLARIFY THE TECHNICAL ASPECTS OF THE DRAFT. AFTER THESE SESSIONS, CANADA WOULD TREAT THE DRAFT JUST LIKE OTHER DELEGATIONS AND MIGHT WANT TO SPONSOR PROPOSALS TO ALTER THE DRAFT SUBSTANTIALLY. US (CULBERT) EXPRESSED WILLINGNESS TO DISCUSS DRAFT IN DETAIL AT BILATERAL OR MULTILATERAL SESSIONS, RAISED SOME TECHNICAL QUESTIONS ON THE DRAFT (FYI: COMPLETE LIST OF TECHNICAL QUESTIONS IN ATTACHMENT 1 OF TPSC 77-17 HAS BEEN GIVEN TO CANADIANS AND WILL BE DISCUSSED LATER THIS WEEK. END FYI), AND OUTLINED PROBLEM AREAS THAT THE US HAS WITH THE DRAFT AS CONTAINED IN ATTACHMENT 2 OF TPSC 77-17. JAPAN (UKAWA), WHILE TRYING NOT TO SOUND "TOO CRITICAL", PRESENTED ILLUSTRATIVE LIST OF "SERIOUS PROBLEMS" WITH CANADIAN DRAFT INCLUDING JOINT TREATMENT OF SUBSIDIES AND CVM'S, NO INJURY REQUIREMENT FOR INTRODUCTION OF CVM, AND POSSIBLE NEGATIVE CONSEQUENCES OF CVM'S OTHER THAN COUNTERVAILING DUTIES, ESPECIALLY IN THE CASE OF THIRD MARKET SUBSIDIES. THE EC, MEXICO, AUSTRAL, AND ANDEAN GROUP AGREED WITH JAPAN ON THE NEED TO SEPARATE SUBSIDIES AND CVM ISSUES TO WHICH CANADA REPLIED THAT THIS WAS A QUESTION OF FORM RATHER THAN SUBSTANCE (I.E. TWO DOCUMENTS RATHER THAN ONE). THE EC WAS SKEPTICAL OF THE TIMING AND "UTOPIANISM" OF CANADIAN APPROACH, AND STATED THAT IT GOES BEYOND THE FRAMEWORK OF GATT ARTICLES VI AND XVI. COMMENT: IN PRIVATE CONVERSATION MEYNELL INFORMED CULBERT THAT RESPONSIBILITY IN BURSELS FOR THIS ISSUE STILL UNDECIDED. THUS, WITH NO NEW POLICY GUIDANCE, LIMITED OFFICIAL USE

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EC INTERNALLY DEBATED DESIRABILITY OF EVEN ATTENDING THE SUBGROUP MEETING. END COMMENT. WHILE NOTING THAT THE CANADIAN DRAFT IS "A" - BUT NOT "THE" - NEGOTIATING APPROACH, EC AND AUSTRIA MADE POINT THAT ALL OTHER CONTRIBUTIONS IN THIS AREA OUGHT TO REMAIN ON THE TABLE.

3. AUSTRALIA (AMB FOGARTY) CONSIDERED THE DRAFT A USEFUL CONTRIBUTION TO THE ADVANCEMENT OF WORK. HE STATED THAT INSTEAD OF AGREEMENT ON LEVELS OF GOVERNMENT INVOLVEMENT IN THE PROVISIONS ON "OTHER SUBSIDIES" THE CODE SHOULD FOCUS ON THE IMPACT OF THAT INVOLVEMENT ON TRADE. FORGARTY WAS CRITICAL THAT THE PROPOSED RULES ON IMPORT SUBSTITUTION SUBSIDIES GO FAR BEYOND PRESENT GATT RULES, AND SUGGESTED THAT ADHERENTS BE PERMITTED TO TAKE UNILATERAL ACTION WITH POST FACTO MULTILATERAL REVIEW AS PROVIDED FOR IN THE INTERNATIONAL ANTIDUMPING CODE. NEW ZEALAND ENVISAGED DELAYS IN THE MULTILATERAL MECHANISM, ESPECIALLY WITH THE REQUIREMENT FOR PRIOR MULTILATERAL REVIEW, AND SUGGESTED THAT A LONGER PERIOD

FOR EMERGENCY PROVISIONS MAY BE NECESSARY WHILE THE MULTILATERAL PROCEDURES WERE IN PROCESS. THE NORDICS (EGGERT) NOTED THEY ARE WILLING TO EXPLORE THE CANDAIAN DRAFT FURTHER AND HOPED THAT IT WILL SERVE AS A BASIS TO HELP MOVE CLOSER TO NEGOTIATIONS BY PROVIDING POSSIBLE FORMAT FOR AGREEMENT.

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ACTION STR

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4. AGRICULTURE: AUSTRALIA AND NEW ZEALAND SAID THAT THE PRINCIPAL PROBLEM RAISED BY THE DRAFT IS LESS VIGOROUS SUBSIDY RULES ON AGRICULTURAL PRODUCTS THAN ON INDUSTRIAL PRODUCTS. AUSTRALIA URGED THAT UNIFORM SUBSIDY RULES BE APPLIED ACROSS THE BOARD AND DECLARED THAT BLANKET EXEMPTION FOR CVM'S ENVISAGED BY ARTICLE 3(A)(C) AS UNACCEPTABLE. FOGARTY CONCEDED THAT DIFFERENT RULES MAY BE DESIRABLE IN DIFFERENT AGRICULTURAL SITUATIONS, I.E. WHEN WORLD PRICES ARE DEPRESSED TEMPORARILY FOR A PRODUCT EFFICIENTLY PRODUCED, BUT NO SPECIAL RULES ARE NEEDED FOR SITUATIONS WHERE HOME MARKET IS INSULATED FROM FOREIGN COMPETITION AND EXPORT SUBSIDIES, FIXED IN ADVANCE, ARE GRANTED (READ CAP). SURPRISINGLY, THE EC DID NOT RESPOND. COMMENT: MEYNELL TOLD US PRIVATELY

AFTER MEETING THAT HIS SILENCE IS NOT TO BE CONSTRUED
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AS A CHANGE IN EC POSITION THAT CONSIDERATION OF AGRI-
CULTURAL SUBSIDIES IS A MATTER FOR GROUP AGRICULTURE.
END COMMENT.

5. SPECIAL AND DIFFERENTIAL TREATMENT FOR DEVELOPING
COUNTRIES: EGYPT SAID CANADIAN DRAFT CAN BE USEFUL
IN SUBGROUP'S WORK BUT WAS JOINED BY MEXICO AND INDIA
IN CALLING FOR "SPRINKLING" OF S&D FOR LDC'S
IN EACH APPROPRIATE SECTION OF THE CODE RATHER THAN
USING THE GATT PART IV TECHNIQUE OF HAVING ONE PROVISION
AT THE END OF THE AGREEMENT. EGYPT AND INDIA EXPRESSED
HOPE THAT HISTORY OF NEGOTIATION OF ANTIDUMPING CODE, I.E.
LACK OF CONSIDERATION FOR S&D FOR LDC'S, WILL NOT BE RE-
PEATED. INDIA ASSERTED THAT BY NOT SIGNING GATT ARTICLE
XVI:4, LDC'S HAVE A RIGHT TO SUBSIDIZE FREELY AND WAS CRIT-
TICAL THAT THE CANADIAN DRAFT APPEARS TO TAKE AWAY THIS
"RIGHT". EGYPT THOUGH A MORE SEVERE INJURY TEST SHOULD
BE REQUIRED IN APPLYING CVM'S TO LDC'S. MEXICO, EGYPT AND
INDIA AGREED WITH US THAT NEGOTIATION OF A POSITIVE LIST
OF PRODUCTS THAT COULD RECEIVE SUBSIDIES WITHOUT RISK OF
AUTOMATIC CVD'S WOULD BE DIFFICULT. THEY PRESSED FOR COM-
PLETE FREEDOM FOR LDC'S TO SUBSIDIZE AND TO BE EXEMPT FROM
COUNTERVAILING MEASURES. THE ANDEAN GROUP INQUIRED AS TO
WHETHER ONE LIST WOULD APPLY TO ALL LDC'S OR IF EACH
LDC WOULD HAVE A SEPARATE LIST, BUT CANADA DID NOT
REPLY. MEXICO SUGGESTED THAT "OTHER SUBSIDIES" AND
DEFINITION SECTIONS OF CANADIAN DRAFT COULD INCLUDE
REFERENCE TO LDC SUBSIDIES USED IN ECONOMIC DEVELOPMENT
PROGRAMS AND THAT THE NOTIFICATION/ENFORCEMENT PROVISIONS
SHOULD HAVE SPECIAL PROCEDURES FOR LDC'S.

6. STATE-CONTROLLED ECONOMY COUNTRIES: HUNGARY AND
CZECHOSLOVAKIA OBJECTED TO PROPOSED ARTICLE 8 NOTE DEAL-
ING WITH STATE-CONTROLLED ECONOMY COUNTRIES ON GROUNDS
THAT ANY INJURIOUS TRADE PROBLEMS CAN BE RESOLVED BILAT-
ERALLY IN ACCORDANCE WITH PROTOCOLS OF ACCESSION AND
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THAT SEPARATING THESE COUNTRIES FROM THE GENERAL RULES
IS CONTRARY TO THE GATT PRINCIPLE OF NON-DISCRIMINATION.

7. FUTURE WORK: GREY NOTED THAT THE OBSERVATIONS AND QUES-
TIONS REVEALED SOME FUNDAMENTAL ISSUES AND MISCONCEPTIONS

THAT SHOULD BE EXPLORED AT LENGTH. IN HIS VIEW, THIS
COULD BE DONE BEST BILATERALLY AND THE SUBGROUP AGREED
THAT INTERESTED COUNTRIES MIGHT ENTER INTO BILATERAL/PLURI-
LATERAL CONSULTATIONS IN ORDER TO GAIN FURTHER CLARIFICA-
TION OF THE CANADIAN DRAFT. AT BRAZILIAN INITIATIVE, ISUB-
GROUP AGREED THAT SUBGROUP SHOULD BE KEPT ABREAST OF THE
RESULTS OF SUCH CONSULTATIONS. COMMENT: SURPRISINGLY,
LDC'S DID NOT OBJECT TO THIS BILATERAL APPROACH, CAU-
TIOUS ONLY THAT THERE SHOULD BE AN "INFORMATION FLOW".
END COMMENT.

8. NEXT MEETING: THE SUBGROUP AGREED THAT THE NEXT
MEETING SHOULD BE IN MAY WITH THE PRECISE DATE TO BE
SET BY THE NTM PARENT GROUP. WALKER

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Message Attributes

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